

Internal Revenue Service
Appeals Office

Department of the Treasury

Employer Identification Number:

Release Number: 201451031

Release Date: 12/19/2014

Date: September 23, 2014

Person to Contact:

Employee ID Number:

Tel:

Fax:

UIL: 501.03-00

Certified Mail

Dear

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the "Code"). It is determined that you do not qualify as exempt from Federal income tax under section 501(c)(3) of the Code effective January 1, 2008.

Our revocation was made for the following reason(s):

You are not operated exclusively for charitable purposes. A substantial part of your activities are the providing of recreational activities and providing lodging and catering services for a fee.

Contributions to your organization are not deductible under section 170 of the Code.

You are required to file Federal income tax returns on Forms 1120. File your return with the appropriate Internal Revenue Service Center per the instructions of the return. For further instructions, forms, and information please visit www.irs.gov.

If you were a private foundation as of the effective date of the adverse determination, you are considered to be taxable private foundation until you terminate your private foundation status under section 507 of the Code. In addition to your income tax return, you must also continue to file Form 990-PF by the 15th Day of the fifth month after the end of your annual accounting period.

Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Code.

We will make this letter and the proposed adverse determination letter available for public inspection under Code section 6110 after deleting certain identifying information. We have provided to you, in a separate mailing, Notice 437, *Notice of Intention to Disclose*. Please review the Notice 437 and the documents attached that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination letter was mailed to you. Please contact the clerk of the appropriate court for rules for filing petitions for declaratory judgment. To secure a petition form from the United States Tax Court, write to the United States Tax Court, 400 Second Street, N.W., Washington, D.C. 20217. See also Publication 892.

You also have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States Court. The Taxpayer Advocate can however, see that a tax matters that may not have been resolved through normal channels get prompt and proper handling. If you want Taxpayer Advocate assistance, please contact the Taxpayer Advocate for the IRS office that issued this letter. You may call toll-free, 1-877-777-4778, for the Taxpayer Advocate or visit www.irs.gov/advocate for more information.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely Yours,

Acting Appeals Team Manager

Enclosure: Publication 892 and/or 556



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities Division

Date: April 3, 2013

Taxpayer Identification Number:

Form:

Tax year(s) ended:

Person to contact / ID number:

Contact numbers:

Phone Number:

Fax Number:

Manager's name / ID number:

Manager's contact number:

Phone Number:

Response due date:

Certified Mail - Return Receipt Requested

Dear

Why you are receiving this letter

We propose to revoke your status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

What you need to do if you agree

If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action – Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(3).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Effect of revocation status

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

What you need to do if you disagree with the proposed revocation

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also may file a protest with the

IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

Contacting the Taxpayer Advocate Office is a taxpayer right

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service
Office of the Taxpayer Advocate
300 N. Los Angeles St, Room 5109
Los Angeles, CA 90012

Phone Number: 213-576-3140

For additional information

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer: ORG	EIN:	Year/Period Ended December 31, 20XX December 31, 20XX December 31, 20XX

LEGEND

ORG - Organization name XX - Date Address - address City - city
State - state County - county Chairman - chairman President -
president Treasurer - treasurer Director - director Project-1
through 4 - Project-1 through 4 Grant-1 through 3 - Grant=1 through 3
Student-1 through 9 - Student-1 through 9 Attendee-1 through 4 -
Attendee-1 through 4 Event-1 through 3 - Event 1 through 3

Issue

Is the ORG (hereinafter "ORG") operated exclusively for exempt purposes under IRC Section 501(c)(3)?

Facts

Articles of Incorporation

ORG was incorporated in City, State, on May 5, 19XX (and incorporated in State on September 14, 19XX). The Articles of Incorporation state in part, that the ORG was formed to create and support a center dedicated to environmental experience, education, and training; and to work internationally on effective animal protection and nature conservation projects through a network of cooperating organizations and individuals.

The Articles contain a dissolution clause stating that the assets, property, profits and net income of this organization are irrevocably dedicated to charitable and educational purposes within the meaning of § 501(c)(3). The Article's also contain a clause prohibiting inurement which states that no part of the net earnings shall inure to the benefit of any incorporator, director, officer or member of the corporation, and that the ORG shall not carry on any other activities not permitted to be carried on.

Form 1023 and Determination Letter

The Foundation received its exemption letter on May 4th, 19XX, granting exemption under § 501(c)(3) & classified as publicly supported organization under 170(b)(1)(a)(vi).

The Form 1023 stated the ORG will:

(a) support conservation of wildlife and wild lands in America and abroad. The ORG stated it will work with on-going projects such as:

- The Project-1 in
The Project-2,

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- Project-3,
Project-4

(b) International Conferencing – Create forums for the exchange of international environmental information

(c) Offer local and regional environmental education programs:

- A successful program with the local Audubon Society which focuses on ornithological studies or our area
-
- Youth camping expeditions for environmental education in the adjoining wilderness and national forest
- Wildlife study and education programs such as the wild bird rehabilitation

(d) On site conferencing - organize onsite conferences and symposia on environmental and philosophic concerns.

The Form 1023 listed its six officers and eight directors, including Chairman, Chairman and Director and President & Director, President and Director.

During the application process, the ORG stated that all travel expenses indicated on its budget is strictly for business purposes, including project administration, fundraising, presentations at conferences, and project development.

Disqualified Persons / related entities

The disqualified persons with respect to the Foundation-1 and Foundation-2 are:

Chairman	Chairman /Director
President	President/Director
Treasurer	Treasurer
Director	Director (20XX)

President signs the majority of ORG's checks.

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
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Organization and Activities

20XX

The ORG was funded through fundraising activity and rents. Total revenue was approximately \$0 which included \$0 in rental income.

In 20XX, the ORG made the following grants:

\$0	Grant-1 ¹
\$0	Grant-2
\$0	Grant-3
\$0	

ORG's remaining expenditures totaled approximately \$0, and were for the State Education Center (discussed below) and administrative purposes.

The ORG manages an education center in State that is owned by the Conservation Endowment Fund. The ORG provides cleaning and catering services as well as hosting fundraisers at the property. The University of State formed a partnership with the Foundation-2/ORG to become a permanent tenant. The center was advertised on the website www.ehec.State.edu as an environmental humanities center opened to academic institutions, nonprofit organizations, corporate entities, and individuals, with a minimum stay of three nights and a capacity for 24 adult guests in cabins. There is an additional youth dorm for 16 guests. Also separate from the facility is a tent camping area. Facilities include a large conference room, dining hall, laundry and fitness facilities. For special events, guests can reserve the outdoor performance area or the delightful Cantina (Cantina, a dining hall which is a replica of an old west saloon).

* * * *

¹ The Grant-1 and Grant-2 are non-profits formed under Law. Their activities include education programs that sponsors children (bursaries), classroom and school construction, mobile education unit environmental education conservation efforts, wildlife corridor, etc.

Grant-1 manages a 62,000 acre refuge and is funded by self sustaining eco-tourism, other earned income revenue, donor support, government and international agency grants.

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20XX

In 20XX, the ORG organized a Safari in which included lodging at Lodge, a safari-lodge located in the Grant-1, . Lodge is available only to donors of GRANT-1, and cost approximately 400 per night in 2009. The lodge provides recreational and social activities that are similar to a vacation resort. Lodge offers:

- Day and night game drives in the Grant-1 in open 4WD vehicles
- Bird watching
- Bush walks with local armed guides
- Brush meals
- Visit to the Rhino Sanctuary
- Massage & Beauty Treatments
- Lion tracking where you accompany a lion tracker to collect data on the resident lion population
- Visit a prehistoric archeological site
- Horse and camel riding
- Helicopter ride to for a fly fishing excursion
- Day trips to the
- Swimming
- Educational talks on the history and day to day running of the Conservancy

An invoice billed to the ORG from Grant-1 provided the following description:

Conservancy Fee	\$0
Food & Accommodation	\$0
Tax	\$0
Game Drives and Activities	\$0
Flights for	
@ 185	\$0
Accommodation at	\$0
 Total	 <u>\$0</u>

The ORG paid \$0 (check #) to Grant-1 in March of 20XX. The check included payment for ORG's officer/director, Treasurer, to attend the safari, tax and a conservancy fee (\$0+\$0+\$0=\$0). The remaining cost (\$0) was paid by "donors and potential donors" (discussed below). Minutes dated December 20, 20XX approved Treasurer's travel to "to check on current projects and to accompany donors and potential donors to Grant-1; the monies spent shall not exceed \$0."

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Explanation of Items		
Name of Taxpayer:	EIN:	Year/Period Ended
ORG		December 31, 20XX
		December 31, 20XX
		December 31, 20XX

The ORG's Form 990 reported the trip's expense as grants paid, on Part I, Line 10.

The ORG received the following payments from individuals to attend the safari:

<u>Date</u>	<u>From</u>	<u>Amount</u>	<u>Check Memo</u>
March 4, 20XX	Attendee-1	\$0	10 nights at Lodge - \$0 1 massage - \$0
July 6, 20XX	Attendee-2	\$0	Safari
August 3, 20XX	Attendee-3	\$0	Grant-1
August 15, 20XX	Attendee-4	<u>\$0</u>	Relative/Attendee-4 ² Expense
Total		<u>\$0</u>	

The form 990 included \$0 as "contributions" received, and in response to IDR #2, dated May 30, 20XX, the ORG stated that written acknowledgements were provided to the "donors" but copies were not kept.

According to the 20XX [sic] End of Year Report, the ORG sponsored the following children/students:

Donor	Bursaries	School	Amount(\$)
ORG	Student-1		Finished High School School Awaiting for results in 2/20XX
	Student-2	Finished High School	
	Student-3	Finished High School	
	Student-4	School	\$0
	Student-5	School	\$0
	Student-6	School	\$0
	Student-7	School	\$0
	Student-8	School	\$0
Relative/Attendee-4's Owner ³	Student-9	School	\$0 ⁴

* * * *

² See footnote 3 & 4

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The ORG made a contribution totaling \$0 to the Grant-1 education trust in March of 20XX, and the remaining expenditures totaled approximately \$0⁵ and consisted of payments related to the State Education Center and administrative expenses.

20XX

On January 23, 20XX, an individual named Director was purportedly added to ORG's board of directors, and on the same day he was authorized by ORG to travel to "to evaluate existing programs supported by the ORG". Director and a companion traveled to from approximately February 16, 20XX – March 20th, 20XX.

April 28, 20XX, Director instructed President to redistribute \$0 of his upcoming donation to himself.

On May 6, 20XX, the distributed \$0 from its donor advised fund [Director Fund] to the ORG. The grant was earmarked by the ORG for "Projects and ORG General Operating Costs."

\$0 Elephant Corridor – / Northern Rangeland Trust

\$0 ORG fundraiser for projects in

\$0 Towards

\$0 Fees

\$0 ORG General Operating Costs – Unrestricted

The grant agreement inaccurately reported that the \$0 was for ORG's general operating cost, rather than an earmarked expense reimbursement for Director.

On May, 21, 20XX, President wrote check number totaling \$0 to Director for travel expense reimbursement for lodging, food, airfare, etc., in .

continued footnote

³ Attended Trip

⁴ Check written on August 15, 20XX, by Attendee-4/Owner totaling \$0 for the adoption of Student-9 20XX. Relative/Attendee-4's Owner is a relative of Owner/Attendee-4.

⁵ Total expenses \$0 - \$0 - \$0 = \$0

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In 20XX, fundraisers were held at both the ORG managed education center and the Chairman and President personal ranch. The "minimum donation" was \$0 per couple, \$0 per person) and included overnight lodging, meals, bar beverages, etc., with all proceeds going to the ORG for education and conservation programs in . The ORG did not provide statement acknowledging that the quid pro quo contributions were not deductible as charitable contributions.

Events held at the State center included:

- July 4, 20XX – Grant-3 picnic and barbeque on for approximately 250 people
- June 7, 20XX – Event-1 75th birthday celebration lunch for 55
- June 24 – 26th, 20XX – Event held by the Event-2⁶ for approximately 40 – 60 people on included lodging and meals.
- July 9 – 11th, 20XX - University of State board retreat held for approximately 15 people from included lodging and meals
- July 11 – July 20th, 20XX - University of State graduate student seminar for approximately 30 people. Included lodging and meals.
- August 15 – 21, 20XX - Six night event held by the Grant-2 for approximately 16 – 24 people – included lodging and meals.
- August 22 – 28, 20XX - Six night spiritual retreat for approximately 13 individuals held by Event-3. Lodging only.
- September 29 – October 1, 20XX – Workshop held by the Nature Conservancy for approximately 14 – 38 people. Included lodging and meals.

Form 990

Year	20XX	20XX	20XX
1. Contributions Gifts Grants ⁷	0	0	\$0
2. Program Service Revenue	0	0	\$0

* * * *

⁶ Entity may have held 2nd event on July 24 – 27th Event-2 event

⁷ From Charitable Trust

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
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4. Investment Income	\$0	0	\$0
9. Total Revenue	0	0	0
10. Grants and similar amounts paid	\$0	\$0	\$0
12. Salaries	0	0	0
13. Professional Fees	\$0	\$0	\$0
14. Occupancy	0	0	\$0
15. Printing, publication, postage	0	0	0
16. Other Expenses	\$0	\$0	\$0
17. Total Expenses	\$0	\$0	\$0

Law

I.R.C. § 501(c)(3) provides for the exemption from federal income tax of organizations that are organized and operated exclusively for charitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treas. Reg. § 1.501(c)(3)-1(a)(1) provides that an organization must be both organized and operated exclusively for one or more of the purposes specified in section 501(c)(3) of the Code in order to be exempt as an organization described in such section.

Treas. Reg. § 1.501(c)(3)-1(c)(1) provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it is engaged primarily in activities that accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Treas. Reg. § 1.501(c)(3)-1(c)(2) provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii) states that an organization is not organized or operated for one or more exempt purposes unless it serves a public rather than a private interest. Accordingly, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator, shareholders, or persons controlled, directly or indirectly, by such private interests.

Treas. Reg. § 1.501(a)-1(c) defines a private shareholder or individual as those persons having a personal and private interest in the activities of an organization. In general, a private shareholder or individual is considered an "insider" with respect to the exempt organization.

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4958(c)(1)(B) Excess benefit. The term "excess benefit" means the excess referred to in subparagraph (A).

4958(c)(2) Special rules for donor advised funds. —In the case of any donor advised fund (as defined in § 4966(d)(2)) —

4958(c)(2)(A) the term "excess benefit transaction" includes any grant, loan, compensation, or other similar payment from such fund to a person described in subsection (f)(7) with respect to such fund, and

4958(c)(2)(B) the term "excess benefit" includes, with respect to any transaction described in subparagraph (A), the amount of any such grant, loan, compensation, or other similar payment.

4958(f)(7) Donors and donor advisors . —For purposes of paragraph (1)(E), a person is described in this paragraph if such person —

4958(f)(7)(A) is described in section 4966(d)(2)(A)(iii):

4966(d)(2)(A)(iii) with respect to which a donor (or any person appointed or designated by such donor) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in such fund or account by reason of the donor's status as a donor.

Cases

Better Business Bureau v. United States, 316 U.S. 279 (1945), holds that the existence of a single non-exempt purpose, if substantial in nature, will destroy the exemption under section 501(c)(3). An organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities that accomplish one or more of such purposes.

International Postgraduate Medical Foundation v. Commissioner, TC Memo 1989-36, states that if the organization's activities are directed at providing opportunities for recreational endeavors, its claim to exempt status under *section 501(c)(3)* will be denied, *Schoger Foundation v. Commissioner*, 76 T.C. 380 (1981); [*19] *8 Syrang Aero Club, Inc. v. Commissioner*, 73 T.C. 717 (1980).

American Campaign Academy, Petitioner v. Commissioner, 92 T.C 1053, 1065-1066 (1989), states that, when an organization operates for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons

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controlled, directly or indirectly, by such private interests, the organization by definition does not operate exclusively for exempt purposes. Prohibited private benefits may include an "advantage; profit, fruit; privilege; gain; [or] interest." Occasional economic benefits flowing to persons as an incidental consequence of an organization pursuing exempt charitable purposes will not generally constitute prohibited private benefits. Thus, should * * * [the organization] be shown to benefit private interests, it will be deemed to further a nonexempt purpose under section 1.501(c)(3)-1(d)(1)(ii), Income Tax Regs. This nonexempt purpose will prevent [the organization] from operating primarily for exempt purposes absent a showing that no more than an insubstantial part of its activities further the private interests or any other nonexempt purposes.

Rev. Rul. 70-534, 1970-2 CB 113, (Jan. 01, 1970) A nonprofit organization whose primary activity is conducting travel study tours that include courses on the culture of the United States, foreign countries, and nature studies taught by certified teachers is exempt under section 501(c)(3) of the Code.

Rev. Rul. 77-366, 1977-2 C.B. 192, held that a nonprofit organization that arranges and conducts winter-time ocean cruises during which activities to further religious and educational purposes are provided in addition to extensive social and recreational activities is not operated exclusively for exempt purposes and does not qualify for exemption.

In determining the effective date of revocation, an organization may ordinarily rely on a favorable determination letter received from the Internal Revenue Service. Treas. Reg. §1.501(a)-1(a)(2); Rev. Proc. 2003-4, §14.01 (cross-referencing §13.01 et seq.), 2003-1 C.B. 123. An organization may not rely on a favorable determination letter, however, if the organization omitted or misstated a material fact in its application or in supporting documents. In addition, an organization may not rely on a favorable determination if there is a material change, inconsistent with exemption, in the organization's character, purposes, or methods of operation after the determination letter is issued. Rev. Proc. 2007-52, 20078-30, IRB 222.

The Commissioner may revoke a favorable determination letter for good cause. Treas. Reg. § 1.501(a)-1(a)(2). Revocation of a determination letter may be retroactive if the organization omitted or misstated a material fact or operated in a manner materially different from that originally represented. Rev. Proc. 2007-52, 2007-30 IRB 222.

Analysis

A. Taxpayer's Position

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
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The taxpayer does not agree with the Service's position.

B. Government's Position

1) Is the ORG operated exclusively for exempt purposes under IRC Section 501(c)(3)?

The ORG is not operated exclusively for § 501(c)(3) purposes since a substantial part of its activities were directed at providing opportunities for recreational activities which further non exempt purposes. The ORG is also providing its donors with a substantial private benefit. The ORG fails the operational test described in Section 1.501 (c)(3)-1(a)(1), 1(c)(1) & 1(c)(2) of the Regulations. A substantial part of its activity was devoted to facilitating an Safari tour for its board member and donors (and potential donors). This activity is similar to International Postgraduate Medical Foundation v. Commissioner, TC Memo 1989-36. The case stated if the organization's activities are directed at providing opportunities for recreational endeavors, its claim to exempt status under *section 501(c)(3)* will be denied. The ORG is dissimilar to the organization described in Rev. Rul. 70-534 because it does not provide any structured educational programs. In the ruling, the activity served a bona fide educational purpose since the courses were conducted by certified teachers, consisted of lectures, instruction, preparation of reports, recitation, examinations, and the issuance of grades.

Furthermore, you informed the individuals attending the trip that their payments were deductible as charitable contributions. The ORG is providing substantial private benefit to its donors. If an organization serves a public interest and also serves a private interest other than incidentally, it is not entitled to exemption under IRC 501(c)(3).

With respect to your State fundraising, the ORG is providing quid pro quo services while purporting they are charitable contributions. The ORG provided lodging & meal accommodations to individuals and failed to include the required statements acknowledging that the payments were not deductible as charitable contributions.

The ORG allowed its newly elected board member, Director, to receive a portion of his own contribution. \$0 of Director's May 6, 20XX contribution (from his donor advised fund) was earmarked for him as early as April 28, 20XX. The distribution from Director's donor advised fund was returned to him in the form of an expense reimbursements. Distributions from donor-advised funds in the form of grants, loans, compensation, or other similar payments, *including expense reimbursements*, to the donor are automatically treated as an excess benefit transaction under Section 4958(c)(2). The ORG's grant re-distribution inures to Director, and does not further an exempt purpose. The ORG fails the operational test under Treas. Reg. § 1.501(c)(3)-1(c)(2).

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Conclusion

The ORG is not operated exclusively for charitable purposes under section 501(c)(3). The form 1023 did not disclose its recreational eco-travel activity nor did it disclose that it would be providing impermissible private benefit to ORG donors. The agent recommends retroactive revocation of the determination letter because the ORG operated in a manner inconsistent with its exempt status under IRC 501(c)(3). Exemption should be revoked effective January 1, 20XX.